

West Virginia Pharmacy Cost Management Council

Meeting Minutes

October 13, 2004 at 9:00 a.m.

State Capitol Complex, Governor's Press Conference Room

Charleston, West Virginia 25305

Members Present:

Shana Phares, Chair
Robin Perdue
Keith Huffman
Peggy King
Nancy Atkins
Ann Stottlemeyer
Felice Joseph
Phil Shimer
Charles L. Burdette
Dr. Wayne Spiggle
Kevin Outtersen

Absent:

Stephen Neal
Heather Bresch

Others Present:

See Attached Register

Attending the meeting as a representative for Heather Bresch of Mylan Laboratories was Leah L. Summers.

Ms. Phares called the meeting to order. Members of the Council were previously emailed copies of the Minutes of the Council Meeting held on September 22, 2004. A motion to approve the minutes, as presented, was made by Ms. King. Seconded by Ms. Stottlemeyer. Motion carried unanimously.

Ms. Phares next discussed the town meetings the Governor has been holding to gather public opinion on the Council's recommendations. With the exception of the first meeting, which was held very quickly, these have all been well attended. There has been a good exchange of questions and discussion. The most popular topics were the central fill pharmacy and the need to make pharmaceutical assistance programs (PAPs) easier to access. The consensus has been that there should be a special session to address pharmaceutical issues. Ms. Phares also discussed the recent meeting of Select Committee C – Pharmaceutical Availability and Affordability, which met on Monday during legislative interims in Shepherdstown. They had a healthy in-depth discussion about the Reference Pricing Report. Nancy Tyler, who is legal counsel to House Finance, said they seemed very supportive of the recommendations of the subcommittee.

Ms. Phares next introduced Barry Rosenthal who is the Director of Planning and Development for the Public Sector Division of Express Scripts. Mr. Rosenthal gave a presentation on Pharmacy Benefit Managers (PBM) Transparency and Collective Purchasing. He discussed "what is transparency?", acquisition costs, manufacturer revenue, client

administrative fees and gain sharing. He also discussed collective PBM purchasing, organizing groups, the PBMs view and success (or failure) factors.

After a short break, Ms. Phares introduced Amy Tolliver, Government Relations Specialist with the West Virginia State Medical Association who gave a presentation on the *Effect of the Medicare Modernization Act (MMA) on Doctors in West Virginia*. Ms. Tolliver discussed some of the major components of the MMA that would affect physicians, the first being changes in the Sustainable Growth Rate (SGR), the mechanism that is currently used to set the annual physician payments. Three different provisions of the MMA modified the SGR and positively impacted WV physician payment rates: 1) 1.5% increase in physician reimbursement rates; 2) Floor of 1.0 Work Geographic Practice Cost Index (GPSI); and 3) 5% Shortage Area Bonus to Specialty Physicians. Had it not been for the 1.5% increase in the Medicare physician schedule (which will be in effect for 2004 and 2005) payments would have been cut somewhere between 3.7% and 4.5% in both years and would have come on top of the 5.4% reduction experienced by physicians in 2002. The 1.5% rate increase for the two years combined will positively impact West Virginia physicians with an average increase of approximately \$22,000 per year per physician or a total of \$74 million for the entire state. The MMA set a floor of 1.0 for the Work GPSI for three years (2004 through 2006) and this has been estimated to equate to \$29 million total positive impact to West Virginia physicians. Currently physicians working in designated Health Professional Shortage Areas (or HPSAs) receive a bonus add-on payment of 10%. The MMA designed new “scarcity areas” in which physicians working in these newly designated areas will receive a 5% add-on bonus. These will be determined by taking all the counties of the United States and ranking them according to the number of physicians practicing there per the number of Medicare beneficiaries. Two definitions for this are being developed: “Primary Care” and “All Other Physicians” or specialists. The MMA has also made it easier for healthcare professionals to collect the HPSA by putting in place a simpler process where Medicare has this information and should automatically add on the payments. This provision is set to go into effect on January 1, 2005 so it is expected that CMS will come out with the 2005 Proposed Physician Fee Schedule when they issue their final rule, hopefully by November 1st.

The second component is E-Prescribing provisions. This legislation requires standards to be established for e-prescribing programs with a pilot project set to begin January 1, 2006 and final standards will be promulgated by April 1, 2009. The approach appears to be voluntary but further clarification may be required upon final implementation.

The third and final component is Changes in the Average Wholesale Price (AWP). This is the controversial provision of the bill that has gotten a lot of press regarding the expected dramatic cuts in payments for drugs and drug administration. The new payment structure substantially reduces the amount of aggregate payment for the drugs and their administration in three phases. First phase: drug payments were reduced from 95% of AWP in 2003 to 80-85% in 2004. To offset the reduction, MMA increased reimbursement to physicians for the cost of administering the drugs and made a transitional add-on payment of 32% for each administration code in 2004. Currently they receive 32% more for administering the drugs, but payment for the drugs themselves has been reduced by 10-15%. Second phase: Payments in 2005 will change dramatically and will be based on the Average Sales Price (ASP) instead of the AWP. The payments will be the ASP plus 6% or 106% of the ASP. The ASP will be based on a formula

applied to the sales price of drugs country-wide and the number of units sold. The 32% transitional add-on payment that physicians currently receive will be reduced to a 3% add-on in 2005. Third Phase: Payments in 2006 will again be based on ASP plus 6% with no transitional add-on payment for drug administration or physicians may elect to purchase their drugs through a new competitive acquisition system.

Ms. Tolliver also provided the Council with copies of the *2003 Medicare Law - Key Provision Chart* and the *AMA Projected Impacts of Sections 601, 412 and 413 of the Medicare Prescription Drug Bill Change in Medicare Physician Payment* chart which shows the impact to all states.

Ms. Phares then asked the Council to review the draft report of the fiscal impact to the state of the federal "Medicare, Prescription Drug Improvement and Modernization Act of 2003, which is due to the Legislature's Joint Committee on Government and Finance on or before the fifteen day of October 2004. The Council reviewed the report page by page and made suggested corrections. Ms. Atkins made a motion to accept the report and asked for a provision to make technical corrections. Seconded by Ms. Joseph. Motion carried unanimously.

Ms. Phares asked Richard Stevens, Executive Director of the West Virginia Pharmacists Association to review the draft of her October 13th letter, which was given to the Council, and provide her with comments as soon as possible.

Ms. Phares announced that the November agenda will include presentations by Christopher Goff on group employers purchasing in Ohio, Tom Snedden on what Pennsylvania is doing to curb rising pharmacy costs and a representative from Cardinal Healthcare to speak about delivery of pharmaceuticals from the manufacturer to the consumer. The Discount Subcommittee will present their recommendations on the discount card and the Council will review a draft of the annual report. Ms. Phares reminded those who had assignments for the annual report to get those completed as soon as possible. For the December meeting we will try and get a representative from Provider Synergies to describe their work with Medicaid and the annual report will be finalized.

Ms. Phares then introduced Bill Davis who is the President of the AARP Chapter in West Virginia. Mr. Davis stated that AARP is committed to accessible, safe and affordable healthcare, including prescription drug coverage for all West Virginians and that was why they supported the cost containment and market fairness provisions of the Pharmaceutical Availability and Affordability Act of 2004. He stated it is imperative that the momentum established by the Council continue and that AARP West Virginia and its 281,000 members have encouraged the Governor to call an extraordinary session of the West Virginia Legislature as soon as practicable to adopt the recommendations of this Council.

Ms. Phares announced that the Reference Pricing and Purchasing Subcommittees would not be meeting at 1:00 today, but that the Discount Subcommittee would be meeting in Building 3, Room 515. Ms. Stottlemeyer made a motion to adjourn. Seconded by Ms. Atkins. Meeting was adjourned at 11:50 a.m.